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SUBJECT: Economic Crisis Hits Latvian Media: Small and Regional
Press Hardest Hit

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¶1. SUMMARY: The Economic recession in Latvia, the increase of value added tax for print media, and the decrease of advertising revenues over the past few months have had a dramatic effect on the Latvian media market. Circulation and readership of newspapers and magazines is going down, as publications have become more expensive than a year ago. Regional and small media companies are the hardest hit and may be forced to find new sources of funding - at the cost of their independence. End Summary.

Newspapers: Future Uncertain

¶2. Problems for the Latvian media began in 2008, when high inflation forced consumers and advertisers to cut back their purchases. Difficulties increased at the end of the year, when the Latvian government increased value added tax for printed publications from 5 to 10 percent as part of the fiscal austerity measures. The increase left newspaper owners with two options - raise prices for readers, or hope to cover the costs through advertisements. Most publishers chose the latter option, but advertising revenue dropped 27 percentage points in January, and steeper drops are expected in the coming months.

¶3. As a result of these challenges, larger publishing houses have made changes to their operations. Some have delayed introducing new publications, cut back on existing ones, or reduced staff. Despite this reality, most of the larger publishers report that the situation is better than they had expected. Regional newspapers, however, have been hit harder by the crisis because of narrow profit margins. Many have tried to save money by printing fewer pages, printing in black and white instead of color, reducing salaries, and cutting the number of employees.

Radio and Television: Regional and Public Broadcasters Hardest Hit

¶4. While not affected by the increase in value-added tax, Latvia's broadcasters, especially those that rely on state support, are struggling with decreased advertising revenue and funding cuts. The state-supported Latvian National Radio found itself on the verge of bankruptcy at the beginning of 2009 and facing major budget cuts. Critics accused management of mishandling the organization's budget. A new director was hired to develop a plan to repay the radio's debt and bring operations back to normal. He argues that the funding cuts are too severe and should be reconsidered. To protest the proposed cuts, employees stopped broadcasts for one hour during prime time. Employees and the public also demonstrated outside the parliament, covering their mouths with duct tape to symbolize the impact on the radio's freedom. One proposal has been to merge National Radio with Latvian National Television (LTV), which faces challenges of its own.

¶5. Faced with reduced advertising and state revenues, LTV made several changes to their lineup including the cancellation of a number of programs. The most notable was that of Latvia's most

popular local TV soap opera, 'Neprata Cena' (The Price of Madness). The move prompted a loud public outcry and the Scandinavian-owned TV3 offered the production team, resources, and air time for the show to move to their channel. The move highlights the fact that commercial broadcasters, especially those that are foreign owned, have managed to keep their heads above water, while public broadcasters and those who rely solely on funding from Latvia struggle.

16. Like the print media, regional broadcasters have been severely affected by decreased advertising revenues. Latgale Radio (the only media outlet broadcasting in the Latgalean language - vitally important for regional identity) was recently sold because the station was deep in debt. The new owners have replaced some Latgalean language programming with Latvian to increase listenership.

Viewership: More Viewers Turning To Moscow

17. With cuts in original programming on Latvian television, Russian television representatives in Latvia report more and more viewers are turning to Russian language channels which offer higher quality TV productions, especially non-news. With very little local content produced in Russian, much of this programming comes from Moscow.

18. Over the past few months, the most popular local TV content has been news and current affairs. Public debates on Latvian National Television such as 'Kas notiek Latvija?' (What's happening in Latvia) and similar shows focusing on the country's political and economic stability have become very popular. Also, live broadcasts from political gatherings and reports on the riots in Riga, received

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high ratings. As a result, Latvian National Television has started a new news analysis program and re-arranged its current programming to allow more time for political, economic and social discussion and interview programs.

Comment: Cautiously Pessimistic

19. A number of factors have made it more difficult for Latvian media outlets to survive. The situation is better than some media observers expected, but all of Latvia's press companies have been affected. Large publishing houses, which rely on corporate and political backers, have managed to stay afloat with some layoffs and cutbacks. The future remains uncertain, and smaller organizations seem unlikely to be able to weather more cuts. Regional newspapers and broadcasters, as well as smaller, independent media companies have been affected drastically. Those entities which previously offered an independent voice may now be forced to find financial backing from other sources. Regional media, likewise, are being forced to offer less regional content and run the risk of losing their regional identity and having to compete with larger national media. Struggling media outlets in search of financial backing may find eager benefactors affiliated with political organizations or corporate interests looking for a platform for their views. That would be an unfortunate loss for a country still struggling to develop objective and unbiased media.

Rogers